

CITY OF PAULLINA, IOWA

Paullina, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended
June 30, 2008

**CITY OF PAULLINA
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CITY OF PAULLINA

OFFICIALS

(Before January, 2008)

Name	Title	Term Expires
Marlo Ebel	Mayor	January, 2008
Patrick Hill	Mayor Pro-Tem	January, 2008
David Honkomp	Council Member	January, 2008
John Ihle	Council Member	January, 2008
Martin Weber	Council Member	January, 2008
Garth Hurley	Council Member	January, 2008

(After January, 2008)

Name	Title	Term Expires
Marlo Ebel	Mayor	January, 2010
Martin Weber	Mayor Pro-Tem	January, 2010
Justin Stamer	Council Member	January, 2012
John Ihle	Council Member	January, 2012
Mike Otto	Council Member	January, 2012
John Muller	Council Member	January, 2010
Sandy Fritz	City Clerk/Administrator	January, 2009
Johnene Altman	Treasurer	January, 2009
Tisha Halverson	Attorney	January, 2009

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Paullina
Paullina, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Paullina, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted the audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits, contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Paullina, as of June 30, 2008 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 21 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2008 on our consideration of the City of Paullina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Paullina's basic financial statements. Other supplementary information included in Schedules 1 and 2, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Williams & Company, P.C.
Certified Public Accountants

November 7, 2008
Le Mars, Iowa

CITY OF PAULLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The City of Paullina provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Receipts of the Government-wide activities decreased \$319,096 from fiscal year 2007 to fiscal 2008.
- Disbursements increased \$229,092 in fiscal 2008 from fiscal 2007.
- The City's total cash basis net assets increased \$360,393 from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's Basic Financial Statements consist of a Government Wide Statement of Activities and Net Assets – Cash Basis, and Statements of Cash Receipts and Disbursements, Governmental Funds and Proprietary Funds. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, and is another comprehensive basis of accounting. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets – Cash Basis reports information which helps answer this question.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains four Enterprise Funds to provide separate information for the Water Fund, Electric Fund, Sewer Fund and Telecom Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$945,027 to \$1,020,172. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2008	2007
Receipts and Transfers:		
Program Receipts:		
Charges for Service.....	\$ 229,002	\$ 185,429
Operating Grants & Contributions.....	107,496	104,893
General Receipts		
Property Tax.....	264,050	254,210
Tax Increment Financing Collections.....	19,510	19,176
Local Option Sales Tax	106,021	97,940
Use of Money and Property	31,978	47,251
Other General Receipts.....	26,799	54,423
Sale of Capital Assets	15,250	--
Proceeds from Debt.....	--	509,094
Net Transfers.....	974	6,145
Total Receipts and Transfers	801,080	1,278,561
Disbursements:		
Public Safety.....	180,252	194,672
Public Works.....	220,047	378,086
Health and Social Services.....	4,000	3,850
Culture and Recreation.....	96,023	73,177
Community and Economic Development.....	1,272	90
General Government.....	68,786	65,456
Debt Service.....	144,890	92,168
Capital Projects	10,665	337,625
Total Disbursements	725,935	1,145,124
Increase (Decrease) in Cash Basis Net Assets	75,145	133,437
Cash Basis Net Assets – Beginning of Year	945,027	811,590
Cash Basis Net Assets – End of Year	\$ 1,020,172	\$ 945,027

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2008	2007
Receipts:		
Operating Receipts:		
Water	\$ 173,967	\$ 198,015
Electric	941,641	729,039
Sewer	167,998	125,866
Telecom	101,400	139,546
Interest	46,718	56,932
Sale of Capital Assets	15,937	--
Proceeds from Debt	376,144	--
Intergovernmental Revenue	216,999	--
Total	<u>2,040,804</u>	<u>1,249,398</u>
Disbursements:		
Operating Disbursements:		
Water	143,764	144,965
Electric	752,394	679,566
Sewer	770,107	191,882
Telecom	88,317	89,888
Net Transfers Out	974	6,145
Total	<u>1,755,556</u>	<u>1,112,446</u>
Net Change in Cash Balance	285,248	136,952
Cash Basis Net Assets – Beginning of Year	1,018,239	881,287
Cash Basis Net Assets – End of Year	<u>\$ 1,303,487</u>	<u>\$ 1,018,239</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Paullina completed the year, its governmental funds reported a combined fund balance of \$1,020,172, an increase of \$75,145 over last year's total of \$945,027. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The Road Use Tax Fund cash balance increased by \$19,112 during the fiscal year due to the sale of capital equipment.
- The Business Park cash balance increased by \$56,263 during the fiscal year due to the sale of 5 lots to developers.
- No additional debt was issued.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$52,579 to \$371,220 due to the operating receipts being greater than the operating disbursements for the year.
- The Electric Fund cash balance increased by \$159,432 to \$457,255 due to an increase in electric rates and consumption.
- The Sewer Fund cash balance increased by \$45,625 to \$61,068 due to an increase in sewer rates.
- The Telecom Fund cash balance increased by \$27,612 to \$413,944 due to the operating receipts being greater than the operating disbursements for the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

A comparison of the City's debt at June 30, 2008 to June 30, 2007 follows:

	Year Ended June 30,	
	2008	2007
G.O. Bonds and Notes	\$ 625,000	\$ 725,000
Special Assessment Notes	40,000	50,000
Sewer Revolving Loan Notes	421,991	50,000
Electric Revenue Notes.....	745,000	820,000
Telecommunication		
Revenue Notes	740,000	795,000
Total	<u>\$ 2,571,991</u>	<u>\$ 2,440,000</u>

ECONOMIC FACTORS

The City has completed the final phase of the business park and has sold 5 lots to developers.

The City's electric rates continue to increase to cover the supplier increases and build cash reserves.

The City increased the sewer rates to cover operating expenses and the IFA Loan of \$520,000 for the sewer lining project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Sandy Fritz, City Clerk, Paullina, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF PAULLINA, IOWA
STATEMENT OF ACTIVITIES and NET ASSETS - Cash Basis
For the Year Ended June 30, 2008

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
Public Safety	\$ 180,252	\$ 34,079	\$ -
Public Works	220,047	191,837	96,296
Health and Social Services	4,000	-	-
Culture and Recreation	96,023	-	-
Community and Economic Development	1,272	-	-
General Government	68,786	3,086	11,200
Capital Outlay	10,665	-	-
Debt Service	144,890	-	-
Total governmental activities	<u>725,935</u>	<u>229,002</u>	<u>107,496</u>
Business-Type Activities:			
Water Utility	143,764	173,967	-
Sewer Utility	770,107	167,998	-
Electric Utility	752,394	941,641	-
Telecom	88,317	101,400	-
Total Business-Type Activities:	<u>1,754,582</u>	<u>1,385,006</u>	<u>-</u>
Total Primary Government	<u>\$ 2,480,517</u>	<u>\$ 1,614,008</u>	<u>\$ 107,496</u>

General Receipts:
Property taxes
Tax Increment Financing
Local Option Sales Tax
Interest
General Intergovernmental Revenues
Sale of Assets
Miscellaneous
Proceeds from Financing
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

Cash Basis Net Assets
Restricted:
Debt Service
Unrestricted
Total Cash Basis Net Assets

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (146,173)		\$ (146,173)
68,086		68,086
(4,000)		(4,000)
(96,023)		(96,023)
(1,272)		(1,272)
(54,500)		(54,500)
(10,665)		(10,665)
(144,890)		(144,890)
<u>(389,437)</u>		<u>(389,437)</u>
	\$ 30,203	30,203
	(602,109)	(602,109)
	189,247	189,247
	13,083	13,083
	<u>(369,576)</u>	<u>(369,576)</u>
<u>(389,437)</u>	<u>(369,576)</u>	<u>(759,013)</u>
264,050	-	264,050
19,510	-	19,510
106,021	-	106,021
31,978	46,718	78,696
-	216,999	216,999
15,250	15,937	31,187
26,799	-	26,799
-	376,144	376,144
974	(974)	-
<u>464,582</u>	<u>654,824</u>	<u>1,119,406</u>
75,145	285,248	360,393
945,027	1,018,239	1,963,266
<u>\$ 1,020,172</u>	<u>\$ 1,303,487</u>	<u>\$ 2,323,659</u>
\$ -	\$ 66,336	\$ 66,336
1,020,172	1,237,151	2,257,323
<u>\$ 1,020,172</u>	<u>\$ 1,303,487</u>	<u>\$ 2,323,659</u>

CITY OF PAULLINA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Governmental Funds
For the Year Ended June 30, 2008

		Special Revenue	
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Taxes	\$ 168,759	\$ -	\$ -
Licenses and Permits	3,086	-	-
Intergovernmental	11,200	96,296	-
Charges for Services	110,213	-	-
TIF Revenue	-	-	19,510
Local Option Sales Tax	-	-	-
Rental of City Property	28,135	-	-
Interest on Investments	13,548	-	548
Miscellaneous	17,664	-	-
Total Receipts	352,605	96,296	20,058
Disbursements:			
Public Safety	140,536	-	-
Public Works	127,460	92,434	-
Health and Social Services	4,000	-	-
Culture and Recreation	92,433	-	-
Community and Economic Development	1,272	-	-
General Government	67,729	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Total Disbursements	433,430	92,434	-
Excess (Deficiency) of Receipts to Disbursements	(80,825)	3,862	20,058
Other financing sources (uses):			
Sale of Assets	-	15,250	-
Transfers In	74,996	-	-
Transfers Out	(12,583)	-	(19,840)
Total other financing sources	62,413	15,250	(19,840)
Net Change in Fund Balances	(18,412)	19,112	218
Fund Balances Beginning of Year	229,120	177,046	14,245
Fund Balances End of Year	\$ 210,708	\$ 196,158	\$ 14,463

Debt Service	Capital Project Business Park	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 45,888	\$ -	\$ 49,403	\$ 264,050
-	-	-	3,086
-	-	-	107,496
24,963	62,605	-	197,781
-	-	-	19,510
-	-	106,021	106,021
-	-	-	28,135
12,980	4,323	579	31,978
-	-	9,135	26,799
83,831	66,928	165,138	784,856
-	-	39,716	180,252
-	-	153	220,047
-	-	-	4,000
-	-	3,590	96,023
-	-	-	1,272
-	-	1,057	68,786
-	10,665	-	10,665
110,000	-	-	110,000
34,890	-	-	34,890
144,890	10,665	44,516	725,935
(61,059)	56,263	120,622	58,921
-	-	-	15,250
115,276	-	-	190,272
(46,088)	-	(110,787)	(189,298)
69,188	-	(110,787)	16,224
8,129	56,263	9,835	75,145
375,115	136,798	12,703	945,027
\$ 383,244	\$ 193,061	\$ 22,538	\$ 1,020,172

CITY OF PAULLINA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
Proprietary Funds
For the Year Ended June 30, 2008

	Water Utility
Operating Receipts:	
Charges for Services	\$ 173,967
Total Operating Receipts	<u>173,967</u>
Operating Disbursements:	
Purchased Power	82,479
Employee Services	13,465
Distribution / Collection	15,122
Supplies	5,122
Repairs	-
Capital Outlay	27,576
Administrative and General	<u>143,764</u>
Total Operating Disbursements	
Excess (Deficiency) of Receipts Over Disbursements	30,203
Non-Operating Receipts (Disbursements):	
Interest Income	14,639
Proceeds from Financing	
Sale of Capital Asset	15,937
Intergovernmental Revenue	
Interest Expense	
Principal Payments	<u>30,576</u>
Total Non-Operating Receipts (Disbursements)	
Excess (Deficiency) of Receipts Over Disbursements	60,779
Transfers In	-
Transfers Out	<u>(8,200)</u>
Change in Net Assets	52,579
Net Assets Beginning of Year	<u>318,641</u>
Net Assets End of Year	<u>\$ 371,220</u>
Cash Basis Net Assets	
Reserved for Debt Service	\$ -
Unreserved	371,220
Total Cash Basis Net Assets	<u>\$ 371,220</u>

Business Type Activities			
Electric Utility	Sewer Utility	Telecom	Total
\$ 941,641	\$ 167,998	\$ 101,400	\$ 1,385,006
941,641	167,998	101,400	1,385,006
344,469			344,469
180,417	87,621		350,517
7,087	18,099		38,651
47,390	4,629		67,141
1,118	6,115		12,355
	542,088		542,088
52,573	56,081	755	136,985
633,054	714,633	755	1,492,206
308,587	(546,635)	100,645	(107,200)
16,444	1,106	14,529	46,718
	376,144		376,144
			15,937
	216,999		216,999
(44,340)	(4,474)	(32,562)	(81,376)
(75,000)	(51,000)	(55,000)	(181,000)
(102,896)	538,775	(73,033)	393,422
205,691	(7,860)	27,612	286,222
12,583	54,485	-	67,068
(58,842)	(1,000)	-	(68,042)
159,432	45,625	27,612	285,248
297,823	15,443	386,332	1,018,239
\$ 457,255	\$ 61,068	\$ 413,944	\$ 1,303,487
\$ 66,336	\$ -	\$ -	\$ 66,336
390,919	61,068	413,944	1,237,151
\$ 457,255	\$ 61,068	\$ 413,944	\$ 1,303,487

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CITY OF PAULLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Paullina is a political subdivision of the State of Iowa located in O'Brien County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services. The City also provides water, sewer, electrical, and cable tv utilities for its citizens.

A. Reporting Entity

For Financial reporting purposes, the City of Paullina has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Paullina has no component units.

Jointly Governed Organizations

The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct

CITY OF PAULLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Project Fund is utilized to account for the development of the City's new business park area.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Telecom Fund accounts for the operations of the telecom system.

C. Measurement Focus and Basis of Accounting

The City of Paullina maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial

CITY OF PAULLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and other accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2 – CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2008 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30 2008; however the City's time deposits were as follows:

Certificates of Deposit	<u>\$678,469</u>
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CITY OF PAULLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 – BONDS AND NOTES PAYABLE

The City's computed legal debt limit as of June 30, 2008, is \$1,601,640 of which \$665,000 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2008:

	Governmental Activities	Business-Type Activities
	Bonds and Notes Payable by Debt Service Fund	Bonds and Notes Paid by Enterprise Funds
Primary Government		
Bonds and notes payable July 1 2007	\$ 775,000	\$ 1,665,000
Plus: bonds and notes issued	----	422,991
Less: payments	(110,000)	(181,000)
Bonds and notes payable June 30, 2008	\$ 665,000	\$ 1,906,991
Due within one year	\$ 110,000	\$ 266,000

The City of Paullina had the following outstanding bonds as of June 30, 2008:

Bond	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2008
General Obligation	05/03/99	4.10 – 4.75%	2010	\$20,000 - \$40,000	\$ 340,000	\$ 80,000
General Obligation	06/01/02	3.60 – 5.20%	2013	\$10,000 - \$15,000	135,000	75,000
Business Park	09/14/06	3.80 – 4.25%	2017	\$45,000 - \$60,000	515,000	470,000
S.A. Capital Loan	06/20/02	3.75% - 5.60%	2011	\$3,000 - \$10,000	93,000	40,000
Telecom	04/22/04	1.80% - 4.80%	2019	\$50,000 - \$85,000	950,000	740,000
Electric	02/01/01	4.70% - 5.60%	2016	\$55,000 - \$110,000	1,200,000	745,000
Sewer Relining	12/01/07	3.00%	2027	\$21,000 - \$35,000	520,000	421,991
Total Bonds Due					\$ 3,753,000	\$ 2,571,991

Annual debt service requirements to maturity of General Obligation Bonds and Notes, revolving loan fund loans, special assessment notes and Revenue Capital Loan Notes are as follows:

Year Ending June 30	General Obligation Bonds and Notes		Special Assessment Capital Loan		Business Park Fund		Total Governmental	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 55,000	\$ 7,510	\$ 10,000	\$ 2,150	\$ 45,000	\$ 18,890	\$110,000	\$ 28,550
2010	55,000	4,930	10,000	1,635	45,000	17,180	110,000	23,745
2011	15,000	2,295	10,000	1,105	50,000	15,448	75,000	18,848
2012	15,000	1,545	10,000	560	50,000	13,498	75,000	15,603
2013	15,000	780	-	-	50,000	11,523	65,000	12,303
2014 – 2018	-	-	-	-	230,000	24,408	230,000	24,408
Total	\$ 155,000	\$ 17,060	\$ 40,000	\$ 5,450	\$470,000	\$100,947	\$665,000	\$123,457

CITY OF PAULLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

Year Ending June 30	Telecommunications Revenue Capital Loan Notes Issued 4-1-04		Electric Revenue Capital Loan Notes Issued 2-1-01		Sewer Relining Project		Total Business Type	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 55,000	\$ 30,995	\$ 80,000	\$ 40,115	\$ 21,000	\$ 15,570	\$ 156,000	\$ 86,680
2010	55,000	29,325	80,000	35,995	21,000	14,940	156,000	80,260
2011	60,000	27,338	85,000	31,835	22,000	14,310	167,000	73,483
2012	60,000	25,117	90,000	27,330	23,000	13,650	173,000	66,097
2013	65,000	22,778	95,000	22,515	23,000	12,960	183,000	58,253
2014 – 2018	360,000	71,095	315,000	35,480	127,000	53,940	802,000	160,515
2019 – 2023	85,000	4,080	-	-	148,000	33,630	233,000	37,710
2024 – 2028					36,991	7,080	36,991	7,080
Total	\$ 740,000	\$ 210,728	\$ 745,000	\$193,270	\$421,991	\$ 166,080	\$1,906,991	\$570,078

In September 2006, the City issued \$515,000 of bond anticipation notes to finance the development of the Business Park. The notes mature June 1, 2017 and accrues interest at up to 4.25%. Payments for these bonds will come from the Debt Service Fund and the Business Park Fund.

The City of Paullina in early 2006 began the process of rehabilitating their sewer system. The project will consist of the re-lining of approximately 28,000 feet of existing sewer line. The City began receiving Iowa Finance Authority funds in April of 2006 to fund the initial costs of the study and engineering costs. To satisfy the Iowa Finance Authority debt the City issued \$520,000 of SRF bonds in August of 2007. Additionally, the City has been awarded a block grant of \$350,000 to pay the remaining costs of the project. The project is scheduled for a September 30, 2008 completion date. The city council has indicated that an increase in sewer rates will be initiated to repay the bond issue.

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

The City's payroll for employees covered by the System for the year ended June 30, 2008 was \$268,052. The total City payroll for the fiscal year was \$289,202. All full-time City employees are eligible to participate in IPERS. Benefits vest after 4 years (or 16 quarters) of service or when the employee attains the age of 55, whichever comes first. Employees are eligible to retire at or after age 55 and are entitled to an annual retirement benefit, payable monthly for life, in an amount calculated on an average of their highest 3 year average salary. IPERS also provides death and disability benefits.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$16,250, \$13,695, and \$12,931, respectively, equal to the required contributions for each year.

CITY OF PAULLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2008 is as follows:

Type of Benefit	Amount
Vacation	<u>\$6,938</u>

This liability has been computed based on rates of pay as of June 30, 2008.

As sick leave is not payable upon termination, retirement or death, the minimum accumulated sick leave is not presented as part of these financial statements.

NOTE 6 – RISK MANAGEMENT

The City of Paullina is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – TELECOMMUNICATIONS PROJECT

On May 2, 1999 the City of Paullina entered into a Joint Public Improvement agreement with other communities in O'Brien County, under Chapter 28E of the Code of Iowa, to acquire property and construct facilities to provide telecommunication services to the cities. Each party is responsible for retiring its portion of the debt incurred. The Community Cable Television Agency of O'Brien County is controlled by a jointly appointed Board of Directors and is operated apart from the City's operations. The financial information for the Community Cable Television Agency is not included in the City's financial statements.

NOTE 8 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008, is as follows:

Fund	Transfers In	Transfers Out
General	\$ 74,996	\$ 12,583
Debt Service	115,276	46,088
Urban Renewal – TIF		19,840
Emergency		4,747
Local Option Sales Tax		106,040
Water		8,200
Electric	12,583	58,842
Sewer	54,485	1,000
	<u>\$ 257,340</u>	<u>\$ 257,340</u>

**CITY OF PAULLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 8 – INTERFUND TRANSFERS (CONTINUED)

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PAULLINA, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL
(CASH BASIS)- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Taxes	\$ 262,999	\$ 262,999	\$ 264,050	\$ 1,051
Special Assessments	53,567	53,567	24,963	(28,604)
Licenses and Permits	2,680	2,680	3,086	406
Intergovernmental	107,829	107,829	107,496	(333)
Charges for Services	1,198,108	1,382,024	1,557,824	175,800
TIF Revenue	19,000	19,000	19,510	510
Local Option Sales Tax	92,095	92,095	106,021	13,926
Rental of City Property	20,000	20,000	28,135	8,135
Interest	67,230	67,230	78,696	11,466
Miscellaneous	139,850	196,935	57,986	(138,949)
Total Receipts	1,963,358	2,204,359	2,247,767	43,408
Disbursements				
Public Safety	329,968	329,968	180,252	149,716
Public Works	223,715	242,929	220,047	22,882
Health and Social Services	4,000	4,000	4,000	-
Culture and Recreation	101,742	101,742	96,023	5,719
Community and Economic Development	1,700	1,700	1,272	428
General Government	69,225	78,725	68,786	9,939
Capital Projects	-	10,910	10,665	245
Debt Service				
Principal Retirement	110,000	110,000	110,000	-
Interest	34,690	35,190	34,890	300
Business Type / Enterprises	2,157,587	2,157,587	1,754,582	403,005
Total Disbursements	3,032,627	3,072,751	2,480,517	592,234
Excess (deficiency) of receipts over disbursements	(1,069,269)	(868,392)	(232,750)	635,642
Other financing sources (uses):				
Proceeds from Debt Financing	954,000	954,000	593,143	(360,857)
Transfers In	239,860	239,860	257,340	17,480
Transfers (Out)	(239,860)	(260,115)	(257,340)	2,775
Total other financing sources (uses)	954,000	933,745	593,143	(340,602)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	\$ (115,269)	\$ 65,353	\$ 360,393	\$ 295,040
Balances Beginning of Year	1,963,266	1,963,266	1,963,266	
Balances End of Year	\$ 1,847,997	\$ 2,028,619	\$ 2,323,659	

CITY OF PAULLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
JUNE 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annual adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the adopted budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budget disbursements by \$60,379. The budget amendment is reflected in the final budgeted amounts.

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OTHER SUPPLEMENTARY INFORMATION

CITY OF PAULLINA, IOWA
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Governmental Nonmajor Funds
For the Year Ended June 30, 2008

	Emergency	Employee Benefits	Local Option Sales Tax	Residential Development	Total Governmental Nonmajor Funds
Receipts:					
Taxes	\$ 4,700	\$ 44,703	\$ -	\$ -	\$ 49,403
Local Option Sales Tax	-	-	106,021	-	106,021
Interest on Investments	47	513	19	-	579
Miscellaneous	-	-	-	9,135	9,135
Total Receipts	4,747	45,216	106,040	9,135	165,138
Disbursements:					
Public Safety	-	39,716	-	-	39,716
Public Works	-	153	-	-	153
Culture and Recreation	-	3,590	-	-	3,590
General Government	-	1,057	-	-	1,057
Total Disbursements	-	44,516	-	-	44,516
Excess (Deficiency) of Receipts over Disbursements	4,747	700	106,040	9,135	120,622
Other financing sources (uses):					
Transfers Out	(4,747)	-	(106,040)	-	(110,787)
Total other financing sources	(4,747)	-	(106,040)	-	(110,787)
Net Change in Fund Balances	-	700	-	9,135	9,835
Fund Balances Beginning of Year	-	21,838	-	(9,135)	12,703
Fund Balances End of Year	\$ -	\$ 22,538	-	\$ -	\$ 22,538

CITY OF PAULLINA, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Four Years Ended
June 30, 2008

	2008	2007	2006	2005
Receipts:				
Property tax	\$ 264,050	\$ 254,210	\$ 226,642	\$ 225,099
Tax increment financing revenue	19,510	19,176	21,039	21,507
Local Option Sales Tax	106,021	97,940	76,864	76,608
Licenses and permits	3,086	3,062	2,288	2,100
Use of money and property	60,113	68,337	51,806	30,286
Intergovernmental	107,496	104,893	102,560	100,753
Charges for service	172,818	120,943	118,724	107,011
Special Assessments	24,963	40,338	83,416	59,413
Miscellaneous	26,799	54,423	14,265	51,887
Sale of Capital Assets	15,250	-	500	80,245
Total	800,106	763,322	698,104	754,909
Disbursements:				
Operating:				
Public safety	180,252	194,672	190,849	198,757
Public works	220,047	378,086	144,941	141,432
Health and Social Services	4,000	3,850	3,750	3,750
Culture and recreation	96,023	73,177	87,839	75,097
Community and economic development	1,272	90	1,651	1,000
General government	68,786	65,456	68,662	63,849
Debt service	144,890	92,168	73,863	113,649
Capital projects	10,665	337,625	38,312	421,454
Total	\$ 725,935	\$ 1,145,124	\$ 609,867	\$ 1,018,988

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Paullina
Paullina, Iowa

We have audited the financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Paullina, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City of Paullina's basic financial statements listed in the table of contents and have issued our report thereon dated November 7, 2008. The financial statements were prepared on the cash basis of accounting which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the City of Paullina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion of compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City of Paullina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Paullina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Paullina's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Paullina's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Paullina's financial statements that is more than inconsequential will not be prevented or detected by the City of Paullina's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items II-A-08, II-B-08 and II-C-08 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Paullina's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The City of Paullina's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Paullina's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Paullina and other parties to whom the City of Paullina may report. This report is not intended to be used and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Paullina during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
November 7, 2008

**CITY OF PAULLINA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Part I – Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-08 Financial Accounting – Segregation of Duties

Observation – The City accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The City should implement management review procedures which we feel would aid in improving the internal control of the City.

Response – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-08 Financial Reporting

Observation – During the audit, we identified material amounts of interest income not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all cash transactions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any cash transactions.

Conclusion – Response accepted.

**CITY OF PAULLINA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Part II – Findings Related to the Financial Statements (Continued)

II-C-08 Financial Reporting

Observation – During the audit, we identified an error in the calculation of an employee's payroll check that resulted in the employee not being paid the overtime rate for the overtime hours reported.

Recommendation – The City should implement procedures to double check payroll reports against the hours turned in on employee time cards.

Response – The City will double check hours turned in on employee time cards against those entered in the payroll system for the employee's checks.

Conclusion – Response accepted.

Part III – Other Findings Related to Statutory Reporting

III-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.

III-B-08 Questionable Disbursement – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

III-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-08 Business Transactions – There were no business transactions between the City and City officials or employees noted.

III-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

III-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-08 Revenue Notes – The City was in compliance with the requirements of its revenue notes.

III-H-08 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policies.

III-I-08 Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

CITY OF PAULLINA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

Part III – Other Findings Related to Statutory Reporting (Continued)

III-J-08 Debt Service Fund Balance – The City's Debt Service Fund has accumulated a fund balance of \$383,244, an amount in excess of the amount needed.

Recommendation – The City should consider using the amount in the Debt Service Fund to pay debt rather than continuing to levy taxes at current rates.

Response – The City will use what has been accumulated in the Debt Service Fund and not levy as much for future debt service payments.

Conclusion – Response accepted.

III-K-08 Depository Resolution – The City's bank accounts in their local banking institution exceeded their depository resolution amount as set by the City Council in their meeting minutes.

Recommendation – The City should increase its depository resolution limit to accommodate the balances on hand.

Response – The City will add this item to the next City Council meeting agenda to be increased as necessary and the balance will be monitored in the future.

Conclusion – Response accepted.